



**Director of
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ISRAEL-LEBANON: Renewed Fighting

(Information as of 2300 EDT)

The renewed fighting in Beirut yesterday could jeopardize negotiations on the fate of Palestinian forces in Lebanon.

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Israel's tactic of advancing and improving the positions of its forces, drawing fire from the Palestinians, and then returning the fire continue to provoke violations of the cease-fire.

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//All crossing points from East to West Beirut remained closed yesterday, but the Israelis reportedly allowed emergency food shipments to pass through the port crossing. Electricity was restored yesterday to some parts of West Beirut, and a limited water supply reportedly also is available in West Beirut.//

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Political Developments

According to press reports, PLO leaders have agreed to evacuate Beirut if they are allowed to maintain a military and political presence behind Syrian lines in Tripoli and in the northern Bekka Valley.

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Soviet Media Commentary

Moscow on Tuesday called the announcement of possible US participation in an international peacekeeping force in West Beirut a "dangerous" development and asserted that Washington is seeking to supplement the Israeli occupation. The Soviets discussed the implications of the US proposal in only general terms.

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Comment: The Soviets probably want to gauge Arab and especially Syrian and Palestinian reaction before establishing guidelines for their own propaganda.

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VIETNAM-KAMPUCHEA: Troop Withdrawal Proposal

Vietnam has announced a partial withdrawal of its troops from Kampuchea and proposed an international conference to address the issue of regional stability in Southeast Asia.

The two initiatives were the centerpieces of a communique issued at the conclusion in Ho Chi Minh City yesterday of a two-day conference of Indochinese foreign ministers. The number of troops to be withdrawn was not cited, although the offer stated they would be removed by the end of this month.

In addition, the Vietnamese-led conference reiterated calls for a demilitarized zone along the Thai-Kampuchean border; talks between Thailand and the Indochinese states on questions of common concern; withdrawal of UN recognition of Democratic Kampuchea and its coalition successor; and UN acquiescence to a vacant seat in the General Assembly.

Comment: The Vietnamese are in a position to make substantial troop withdrawals without measurably reducing their overall military capabilities in the major contested regions.

//The proposals are the latest step in Hanoi's diplomatic campaign. Foreign Minister Thach, who will visit several ASEAN states later this month, will emphasize this latest evidence of Vietnam's flexibility on the Kampuchea issue while trying to encourage divisions in ASEAN over supporting the new coalition of Kampuchean resistance groups. Thach will almost certainly imply that positive ASEAN responses may lead to further Vietnamese initiatives.

//Vietnam is likely to continue its efforts in this vein up to the meeting of the General Assembly this fall, when the question of seating the Kampuchean resistance will again arise. Hanoi's recent actions may be partly motivated by a desire to move the focus of discussions on Kampuchea away from the UN.

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BELGIUM-USSR: Possible Gas Purchase

//Belgium may import Soviet gas if an alternative agreement for additional gas from the Netherlands cannot be worked out.//

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//The Belgians and Soviets already have reached agreement on terms of a gas contract, which has not yet been signed. It calls for Belgium to buy 500 million cubic meters of Soviet gas annually from 1986 to 1991 and 2.5 billion cubic meters annually from 1991 forward.//

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//Brussels would prefer to buy Dutch gas, but the Dutch reportedly are offering unattractive terms. Dutch Prime Minister van Agt has directed his top economic aide to review the negotiations because van Agt believes it would be politically preferable for Belgium to obtain gas from the Dutch. Additional Belgian-Dutch negotiations will be held this week.//

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Comment: //Although The Hague may be willing to compromise on some issues, the interim government probably will delay a final decision for several more weeks. The Netherlands could use the revenues from extra sales to help cover the increasing costs of social programs.//

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The Belgians hope that the US, because of concern about the Soviet pipeline, will urge the Dutch to make a better offer. If the Dutch cannot improve their offer and Moscow agrees to increase purchases of Belgian goods, Brussels is likely to buy Soviet gas. Belgium would then depend on the Soviets for almost one-fifth of its gas supplies, and Moscow would earn about \$500 million per year in the 1990s.

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HONDURAS: Terrorist Actions

[redacted] Salvadoran insurgents were responsible for the well-coordinated terrorist bombings on Sunday of Tegucigalpa's major electrical power plants and the destruction on Saturday of the Costa Rican office of the Honduran airline. President Suazo and Army Commander in Chief Alvarez plan a joint address tomorrow to blame the Salvadoran guerrillas for the incidents and to pledge an intensified fight against the rise in both domestic leftist and foreign terrorism in Honduras.

[redacted]

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Comment: //The Salvadoran guerrillas are retaliating against Honduras for its support of recent Salvadoran military operations. The Honduran armed forces are resolved to continue this support, and terrorist violence and cooperation among regional leftists in Honduras are likely to increase. The latest incidents and the need to restore service to the 500,000 residents in Tegucigalpa who are still without electricity or water will heighten Suazo's sense of concern during his official visit to Washington next week.//

[redacted]

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SOUTH AFRICA: Cabinet Changes

Prime Minister Botha this week dropped one of the cabinet's most conservative ministers, Post and Telecommunications Minister Smit, and appointed moderates to fill this vacancy and two others that were created when rightwing cabinet members left the National Party last March to form the first Afrikaner opposition party. The changes, which go into effect on 2 August, include shifting Minister of Mines and Energy de Klerk to the Ministry of Interior and moving Interior Minister Heunis to the new post of Minister of Constitutional Development.

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Comment: Botha is continuing to surround himself with officials who support his plans to alter the constitution to give some political rights to South Africa's Colored and Asian minorities. By moving Heunis, a trusted political lieutenant, to the Ministry of Constitutional Development, Botha is signaling his intention to speed up the process. As Minister of Interior, de Klerk will have to sell the government's new proposals to Coloreds and Asians as well as to his own followers in the heavily populated and conservative Transvaal Province, where he is the provincial party leader.

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SPECIAL ANALYSIS

PHILIPPINES: The Insurgent Threat

//Manila faces internal security threats from a growing rural-based insurgency led by the Communist Party of the Philippines' New People's Army and a less active Muslim rebellion in the southern Philippines led by the Moro National Liberation Front. The US will be urged to support Manila's counterinsurgency efforts in the next few years by providing more military equipment and supplies.//

//The frequency and scope of insurgent activity carried out by the New People's Army grew considerably last year. Guerrilla attacks were up at least 30 percent over 1980, and conservative Philippine military estimates place the total number of armed insurgents at the end of 1981 at approximately 6,000, or roughly double the estimate in 1978.//

//The New People's Army is widely dispersed in 49 of the nation's 73 provinces and able to mobilize only small numbers of guerrillas in most areas. It usually operates in six- to 12-man squads that carry out ambushes and killings of selected government officials, military personnel and landowners.//

//Incidents involving the Muslim rebels have declined. The rebels have been hindered by factionalism, defections, casualties, and apparent problems obtaining funds and weapons from radical states and groups in the Middle East.//

Causes of Unrest

The deteriorating rural economy and political alienation are the major factors that enable the New People's Army to increase its activity. Communist Party leaders are exploiting depressed prices for sugar, coconuts and other cash crops that have eroded already low living standards.

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//The insurgents' use of this issue to expand their base of support has been made much easier by Manila's longstanding neglect in providing resources and development funds to remote areas, where the Communist Party reportedly is organizing shadow political organizations. President Marcos's political dominance and the inability of moderate opposition parties to provide a credible alternative to him are encouraging the growth of Communist front activities in the cities and the New People's Army in the countryside.//

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Dealing With the Insurgencies

//The government's success in dealing with the Muslim rebels has allowed it to move troops out of the south and concentrate on areas infested by the New People's Army. The military's effectiveness, however, is hampered by poor troop mobility, manpower and equipment shortages, budget cutbacks, and the lack of a coherent overall strategy. Moreover, the military's reputation for abusing the civilian population benefits the insurgents.//

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//Manila will find it more difficult to counter the New People's Army if the insurgents obtain additional external support.

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//Relations between the two insurgent groups also can add to the government's problems. Low-level cooperation between them already exists and is likely to continue, if not gradually expand. Despite its setbacks, the Moro National Liberation Front can still stage violent incidents that could tie down government forces in the south.//

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Looking Ahead

//The rural-based New People's Army is not likely to move into urban areas in the next few years, but the party will accelerate recruiting among students and laborers and in the Church. Although urban groups may be less receptive to party propaganda, the Communists will

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be able to sustain their current momentum over the near term. The economy will continue to offer the Communists a major issue to exploit.//

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//Manila is likely to request increased US military assistance to combat the insurgency. At the same time, the New People's Army almost certainly will attempt to convince the Filipinos that there is a link between increased US military aid and the abusive behavior of government troops in rural areas. Growing US involvement in Manila's counterinsurgency efforts would increase the risk of insurgent attacks against US military personnel and facilities or economic targets.//

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